



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PPD 730.5.23.3

May 1, 2003
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MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: New APPS Working Paper B Section for Postaward Audits

The new APPS working paper (WP) B section for postaward audits has been incorporated into the April 2003 APPS update. The standard working papers in the new working paper B section (WPs B, B-1, B-2, and B-3) have been developed and tailored based on Strategic Plan Objective G4-02-5. The new APPS working paper B section was developed by an ad hoc team consisting of a Policy and Plans program manager and one FAO technical specialist each from the Eastern and Northeastern regions. The regions not represented on the ad hoc team each designated an FAO technical specialist to provide input to the ad hoc team. In addition, the ad hoc team obtained and considered suggestions submitted by attendees at the FY 2002 Agency-wide defective pricing technical specialist workshop and comments received from the regions in response to MRD 02-PPD-078(NR), dated October 23, 2002.

The new working papers are more user-friendly and enable clearer linking of the risk assessment with the scope of audit. The new section B working papers contain:

- clear and concise instructional language to assist the auditor in understanding the type and level of documentation expected when performing the risk assessment;
- detailed sub-sections that facilitate the auditor's risk factor assessments (e.g., materiality, control, inherent, and fraud risk assessments); and
- specific references to the preliminary audit steps from the applicable standard audit programs. The steps are key components of an effective risk assessment.

Several of the changes made in conjunction with the revisions to the working paper B section impact other working paper sections. These changes include:

- working paper Section K, *Risk Assessment*, has been removed, as all audit steps from WP K-1 have been incorporated into the new WP B-1;
- working paper Section C, *Probe Test Planning*, has been removed, as the requirements of WP Section C have been incorporated into the new WP B Section; and

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- a new standard working paper has been developed (available in APPS under “Other Audit Guidance” as “Follow-up Tech Assist_Assist Audit.doc”) to provide a standard form for auditor follow-up, at the conclusion of probe testing, on areas identified in WP B-3 as having a “potential” need for technical assistance or assist audit.

Completing the new working paper B section for postaward audits produces a comprehensive risk assessment and sets the framework for planning the detailed audit steps to be performed in probe transaction testing. To provide a better understanding of the new working papers, we have enclosed examples of three completed working paper B sections (WPs B, B-1, B-2, and B-3) using the new APPS working papers. The examples illustrate the levels of documentation expected based on the significance of the dollars audited. More specifically, Enclosures 1, 2, and 3 are examples of risk assessments completed for postaward audits of \$109 million, \$25 million, and \$2.7 million, respectively. The examples incorporate, where appropriate, suggestions submitted by attendees at the FY 2002 Agency-wide defective pricing technical specialist workshop and regional comments received in response to MRD 02-PPD-078(NR), dated October 23, 2002. The highlighted areas on Enclosures 1, 2, and 3 exemplify the expected level of documentation required by the auditor.

As also directed by the Strategic Plan Objective, we have developed a comprehensive training package covering the new section B working papers for postaward audits. This training package will be initially delivered at the Agency-wide defective pricing technical specialist workshop being held on May 13 – 14, 2003. Further use of the training at the local level is at the discretion of the cognizant regional office.

If FAO personnel have any questions, they should contact their regional personnel. If regional personnel have any questions, they may contact Victoria Post, Program Manager, Policy Programs Division, at (703) 767-2270 or e-mail at dcaa-ppd@dcaa.mil.

/s/ Terry M. Schneider
/for/ Robert DiMucci
Assistant Director
Policy and Plans

Enclosures:

a/s (*Enclosures not available on www.dcaa.mil*)

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